



What is the State's Role in K-12 Spending?

The state legislature traditionally has the following roles in controlling K-12 spending: 1) determines the basic and per student entitlements for district general funds, and thereby sets the maximum and minimum amount each district may spend from the general fund; 2) determines the state share of the district general fund budget and other district funds; 3) appropriates the sources of revenue for the state's share and a majority of the federal share; 4) specifies the circumstances under which increased property tax needs are to be voted on; and 5) appropriates funds to the Office of Public Instruction to distribute state funds, enforce mandates and provide oversight as well as to the Board of Public Education to set educational standards.



The state also determines where the revenue for its share of K-12 spending is to be derived. The Constitution requires that all interest and income from school lands be used for K-12. State statute requires (almost) all property taxes collected by the state be used for K-12. The remaining funding from the state is appropriated from the state general fund.

How is the State Appropriation Determined

The legislature determines the "present law budget" for its share of the K-12 budget. The present law budget is an amount spent in a base year adjusted for expected changes in enrollment. New proposals are voted on that change the basic and per student entitlements, and the levels of direct state aid, GTB, special education, and block grants as well as funds for numerous smaller programs. The state also appropriates federal dollars for K-12.

K-12 Lawsuit



A coalition of schools sued the state in 2003 alleging inadequate state funding and a funding system that is not related to educationally relevant factors. The district court in April 2004 found for the coalition as did the Supreme Court in a preliminary opinion in November 2004.

The 2005 legislature passed legislation defining the educationally relevant elements of a basic system of free quality public elementary and secondary schools. It also passed legislation to convene a study group during the interim to develop a new funding formula implementing the new definition. The funding group worked through November 2005 and developed such a formula. The legislature met in special session in December 2005, but did not implement the new formula. Instead it retained the old formula but added 4 new components to BASE aid, the amount the state provides to schools. The four new components are: A quality educator component, an Indian education for all component, a close the achievement gap component and an at risk component. These are 100 percent state funded.

The plaintiffs in the suit requested that the district court judge, in whose jurisdiction the original lawsuit was decided, order a show cause hearing at the conclusion of the 2007 legislative session. The judge declined such an order but invited the plaintiffs to request a show cause hearing after the 2007 session, if one is needed.

Legislative Fiscal Division



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K-12 Education Funding



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Fiscal Pocket Guide



"Local control by school boards is an important part of the governance structure of school districts in Montana."



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What Does the Constitution Say About Public Elementary and Secondary Schools?

Article X, Section 1 says the following:

(1) It is the goal of the people to establish a system of education which will develop the full educational potential of each person. Equality of educational opportunity is guaranteed to each person of the state.

(2) The state recognizes the distinct and unique cultural heritage of the American Indians and is committed in its educational goals to the preservation of their cultural integrity.

(3) The legislature shall provide a basic system of free quality public elementary and secondary schools. The legislature may provide such other educational institutions, public libraries, and educational programs as it deems desirable. It shall fund and distribute in an equitable manner to the school districts the state's share of the cost of the basic elementary and secondary school system.

The Constitution also provides for a Board of Public Education, made up of seven members appointed by the Governor. The Board exercises general supervision of the schools. Some of its specific duties are to adopt standards of accreditation, monitor the accreditation status of each school and adopt a system of teacher certification. The website for BPE is <http://www.bpe.mt.gov>

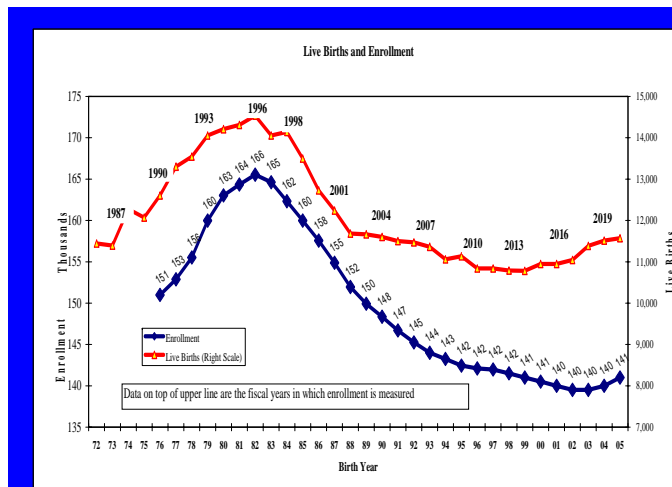
The Office of Public Instruction (OPI) is the state agency charged with distributing state and federal funds to schools; assesses the quality of schools and its professional staff; provides data to measure school improvement; coordinates and provides professional development services to educators; supports accountability with state and federal laws. OPI's website is <http://www.OPI.mt.gov>

Local control by school boards is an important part of the governance structure of school districts in Montana. Section 8 of Article X of the Montana Constitution states that "The supervision and control of schools in each school district shall be vested in a board of trustees to be elected as provided by law."

What are the Characteristics of the Population Served?

The graph shows actual enrollment in Montana's public K-12 elementary and secondary schools for the period 1990 through 2005 and projected enrollment through 2019.

Total enrollment is expected to decline for at least another 7-8 years, when the "echo" of the echo of the baby boom will cause enrollments to flatten out and then increase. Births began increasing in 2001.



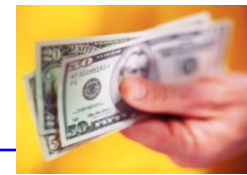
The large majority of students live in urban settings. In 2005, 13.3 percent of students received special education services, 34.6 percent were eligible for free or reduced price lunches and 11.3 percent are American Indian. Montana students rank high on standardized tests. In 2004, Montana 4th graders ranked in the top ten states in reading and science. Montana 8th graders ranked in the top ten states in reading, science and math. In 2006, Montana's average ACT score was 21.9 compared with the US average of 21.1.

What are the Characteristics of Schools in Montana?



In 2006 there were 430 operating districts employing 14,506 FTE, of which 10,512 were teachers. The average student teacher ratio in 2002 was 14.4 compared with the US median of 15.9. The average salary in 2004 in Montana was \$37,184 compared with a national average of \$46,597. Schools in Montana in 2003 spent \$7,368 compared to the national average of \$7,875. Spending between 1991 and 2005 grew 3.6 percent per year compared with annual inflation growth of 2.6 percent. Of total spending, 73.8 percent was for salaries and benefits, and 48.8 percent was for salaries and benefits for instruction.

How are Public K-12 Schools Funded?



The 430 school districts in Montana are governed by boards of school trustees who make decisions on the amount of money needed to furnish educational services. There are ten budgeted funds, the largest being the district general fund, which averages 80 percent of total spending, and numerous non-budgeted funds. Any fund which receives property tax revenue must be budgeted. Other major budgeted funds include transportation, retirement, and debt service.



The revenue available to districts includes state dollars, federal sources, local nonlevy sources, cash left over from prior years, and local property taxes. Revenues received from the state include direct state aid, guaranteed tax base aid, property tax reimbursements and HB 124 block grants, special education, interest and income from school lands, and other.

The chart below shows the shares of each revenue source for all K-12 districts in the state in school year 2005.

